CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 21, 2009

Surface Transportation Extension Act of 2009

As ordered reported by the Senate Committee on Environment and Public Works on July 15, 2009

SUMMARY

The Surface Transportation Extension Act of 2009 would extend through March 30, 2011, Federal-Aid Highway programs authorized by the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU; Public Law 109-59). The bill would set the amount of contract authority (the authority to incur obligations in advance of appropriations and a mandatory form of budget authority) at $43.2 billion for 2010 and at $21.6 billion for the period from October 1, 2010, to March 30, 2011.

Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act for constructing the baseline, CBO assumes that funding provided by the bill for the first six months of fiscal year 2011 would continue at the same rate through the rest of that year and in each of the following years. Hence, CBO estimates that enacting the bill would result in baseline contract authority totaling $432 billion over the 2010-2019 period. That funding level represents an increase of $119 billion ($11.9 billion per year) above the amounts of contract authority for highway programs currently projected in CBO's baseline for the 2010-2019 period.

CBO expects that most spending from the highway program will continue to be controlled by limits on annual obligations set in appropriations acts. Consequently, the changes in contract authority would not increase mandatory outlays. CBO estimates that, subject to the enactment of annual obligation limitations for the 18-month period of program extension, implementing the bill would increase discretionary spending by $60.6 billion over the 2010-2019 period. CBO estimates that enacting the bill would not affect revenues.

This bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is summarized in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Billions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	59.5	119.0
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Obligation Limitation	41.2	20.6	0	0	0	0	0	0	0	0	0	0
Estimated Outlays [a]	11.0	22.3	15.0	5.5	2.8	1.7	1.2	0.8	0.2	0	56.6	60.6

a. Estimated discretionary outlays reflect use of funds under the 2010 and part-year 2011 obligation limitations that the bill specifies. (Outlays stemming from additional contract authority shown in the table would be authorized in future legislation that covers the period after the 18-month program extension.)

BASIS OF ESTIMATE

Changes in Direct Spending

The Surface Transportation Extension Act of 2009 would extend through March 30, 2011, Federal-Aid Highway programs authorized by SAFETEA-LU, the current authorization for transportation programs. For highway programs, the bill would set the amount of contract authority (the authority to incur obligation in advance of appropriations and a mandatory form of budget authority) at $43.2 billion for 2010 and at $21.6 billion for the period from October 1, 2010, to March 30, 2011.

The bill would provide contract authority for highway programs at the same level authorized in SAFETEA-LU for 2009, notwithstanding any rescissions or cancellations of contract authority in either SAFETEA-LU or any other act. SAFETEA-LU provided $43.0 billion in contract authority for 2009. However, SAFETEA-LU and the 2009 Omnibus Appropriations Act (Public Law 111-8) contained rescissions of the 2009 program’s contract authority that totaled $11.9 billion. The Omnibus Appropriations Act also provided $143 million in additional contract authority for highway programs. The Balanced Budget and Emergency Deficit Control Act specifies that the baseline projection for the cost of an expiring mandatory program with current-year outlays in excess of $50 million be assumed to continue at the program level in place when it is scheduled to expire. As a result, CBO incorporated those rescissions and additions to contract authority in its baseline for highway programs over the 2010-2019 period.

Further, each year, SAFETEA-LU allows states to elect to have the Federal Transit Administration (FTA) administer up to $1 billion of highway contract authority that is available to be spent on transit projects. Because the amounts transferred to FTA would be available for transit programs with or without the formal transfer of funds between the highway and transit programs, CBO did not consider those transfers for the purposes of calculating the increase in contract authority for the highway program resulting from this legislation. Combined with the rescissions and additions contained in SAFETEA-LU and the Omnibus Appropriations Act (Public Law 111-8), the contract authority available for highway programs is $31.3 billion in 2009, and CBO projects that same amount in subsequent years. As a result, CBO estimates that the bill would add $11.9 billion (the difference between $43.2 billion and $31.3 billion) of contract authority annually to the baseline over the 2010-2019 period.

CBO expects that most spending from the highway program will be controlled by limits on annual obligations set in appropriations acts. Consequently, the changes in contract authority would not increase mandatory outlays. SAFETEA-LU exempts certain portions of the Federal-Aid Highway program from the obligation limitations set in appropriations acts, resulting in mandatory outlays. Under the bill and under current law, a total of $739 million each year from the Equity Bonus and the Emergency Relief programs is exempt from any limitation on obligations in 2010 and in each of the following years. That sum is equal to the baseline level of exempt contract authority for those programs. As a result, the bill would not increase outlays from direct spending relative to the baseline.

Changes in Spending Subject to Appropriation

CBO expects that the contract authority provided in the bill would be controlled by limitations on obligations contained in annual appropriation acts. CBO's estimate of discretionary spending under this legislation reflects the proposed obligation limitation that would be provided under the bill and does not include projections of that authority. The bill would extend the obligation limitations contained in SAFETEA-LU—$41.2 billion for 2010 and $20.6 billion for the first six months of 2011. Traditionally, along with the contract authority discussed above, states have elected to use $1 billion of those amounts annually for transit programs administered by FTA. This transfer of authority to enter into contracts and to obligate funds affects how quickly spending occurs because spending for transit programs traditionally occurs more slowly than spending for highway programs.

Consistent with historical spending patterns of highway and transit programs and subject to the enactment of the 2010 and part-year 2011 obligation limitations, CBO estimates that implementing the bill would cost \$11.0 billion in 2010 and \$60.6 billion over the 2010-2019 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR MANDATES

This bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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